

## Message Text

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PAGE 01 ATHENS 03795 221635Z

14-11  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 OPIC-03 L-02 DODE-00 PA-01 USIA-06

PRS-01 SP-02 /047 W  
----- 017440

R 221540Z MAY 75  
FM AMEMBASSY ATHENS  
TO SECSTATE WASHDC 8837

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E.O. 11652: N/A  
TAGS: ELAB BGEN GR  
SUBJ: ITT IN GREECE

REF ATHENS 3713

1. ITT HELLAS MANAGING DIRECTOR TERENCE CALLAGHAN,  
ACCOMPANIED BY TWO ITT OFFICIALS FROM EUROPEAN HEADQUARTERS  
IN BRUSSELS, BRIEFED AMBASSADOR, ECONOMIC COUNSELOR, AND  
COMMERCIAL ATTACHE ON MAY 21 ON CURRENT ITT PROBLEMS IN  
GREECE (SEE REFTEL). HE OBSERVED THAT, ON SPECIAL PLEA  
FROM GOG LABOR MINISTER, ITT HAD REOPENED PLANT MAY 21 AND  
ACCEPTED BACK ALL WORKERS INVOLVED IN MAY 19 WORK  
STOPPAGE AS WELL AS THREE WORKERS WHOSE DISMISSAL  
PRECIPITATED MAY 19 STRIKE. IN RETURN, PLANT LABOR COMMITTEE  
HAS ADMITTED THEY WERE LEGALLY WRONG TO FOLLOW LEAD OF  
AGITATORS IN WORK STOPPAGE DURING ARBITRATION PERIOD, AND  
LABOR MINISTER HAS ASSIGNED HIGH OFFICIAL TO REMAIN AT PLANT  
UNTIL ITT MANAGEMENT IS SATISFIED THAT LABOR PEACE IS ACHIEVED.

2. UP UNTIL NOW, AS ITT'S LABOR RELATIONS PROGRESSIVELY  
DETERIORATED, GOG RESPONSE WAS CHARACTERIZED BY FRAGMENTED  
DECISIONS MADE BY INDIVIDUAL MINISTRIES (LABOR, COMMUNICATIONS,  
PUBLIC ORDER). CHARACTERISTIC OF THIS WAS THE LABOR  
MINISTRY'S UNHELPFUL ATTITUDE TOWARD THE RECENT ILLEGAL WORK  
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PAGE 02 ATHENS 03795 221635Z

STOPPAGE AND SERIOUS INTIMIDATION OF NON-STRIKING WORKERS

BY MILITANTS -- DESPITE THE FACT THAT ITT'S WAGE OFFER  
EXCEEDED THE GOVERNMENT'S OWN GUIDELINES.

3. EMBASSY WAS CONCERNED THAT GOG DECISIONS ON VARIOUS ASPECTS OF ITT OPERATIONS IN GREECE AT LEAST BE MADE WITHIN THE CONTEXT OF A LONGER-RANGE PERSPECTIVE ON THE IMPLICATIONS FOR GREECE'S INVESTMENT CLIMATE OF A WITHDRAWAL OF ITT -- PARTICULARLY AT A TIME WHEN GOG IS ACTIVELY SEEKING FOREIGN INVESTMENT AND TECHNOLOGY. IN MAY 21 MEETING BETWEEN COORDINATION MINISTRY UNDER SECRETARY KONTOGEOORGIS AND ECONOMIC COUNSELOR, FORMER INDICATED THAT COORDINATION MINISTRY IS NOW TAKING CHARGE OF THE ITT ISSUE. HE IMPLIED THAT INTERVENTION FROM MINISTER PAPALIGOURAS WAS INSTRUMENTAL IN ACTIVATING THE LABOR MINISTER TO HALT THE ILLEGAL WORK STOPPAGE AND TO POST MINISTRY OFFICIALS AT THE PLANT. HE STATED THAT AT LEAST PART OF ITT'S CURRENT PROBLEMS ARE ALSO SHARED BY SIEMENS AND PHILLIPS, AS A RESULT OF OVER-AMBITIOUS STIMULATION OF CAPACITY IN TELECOMMUNICATIONS BY THE PREVIOUS GOVERNMENT, WHICH INVOLVE HIGH IMPORT REQUIREMENTS AT A TIME OF BALANCE OF PAYMENTS STRESS. IN ADDITION, ITT'S MISCALCULATION OF PAPER PRICE TRENDS AND MARKETABILITY OF YELLOW-PAGES WAS ALSO HURTING. Nevertheless, KONTOGEOORGIS MADE CLEAR THAT GOG WANTS ITT TO STAY IN GREECE.

4. COMMENT: EMBASSY BELIEVES ITT UNION'S RETURN TO WORK MAY BE TEMPORARY CEASE-FIRE, BUT NOT PERMANENT PEACE. IF OTE (GREEK TELECOMMUNICATIONS ORGANIZATION) EMBARGO ON EQUIPMENT IMPORTS CONTINUES FOR LONG, ITT WILL HAVE TO LAY OFF REDUNDANT LABOR. SUCH AN ACTION WOULD PROBABLY TRIGGER RENEWED AGITATION AT PLANT. IN ADDITION, UNCERTAINTY AT ITT'S YELLOW PAGES PUBLISHING HOUSE OVER FUTURE OF ITS OPERATION HAD HAD DEMORALIZING EFFECT ON LABOR FORCE THERE (YELLOW PAGES SALESMEN ARE DUE OUT ON 24-HOUR STRIKE MAY 26).

5. WE AGREE THAT MUCH OF ITT'S PROBLEM RESTS ON CHANGED ECONOMIC CONDITIONS WHICH WILL INEVITABLY AFFECT THE PROFITABILITY OF THEIR INVESTMENT. HOWEVER, THE LABOR DIFFICULTIES -- AND THE GOG'S ATTITUDE TOWARD THEM -- ARE AN ADDED DIMENSION WHICH COULD HAVE WIDER IMPLICATIONS FOR THE LIMITED OFFICIAL USE

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PAGE 03 ATHENS 03795 221635Z

FOREIGN INVESTMENT CLIMATE IN GREECE. WE HOPE THAT PAPALIGOURAS AND GOG CAN TAKE DECISIONS AND ACTIONS NECESSARY TO MAINTAIN STABLE INVESTMENT CLIMATE IN GREECE IN FACE OF CURRENT -- PERHAPS TRANSITORY -- UPSWING IN LABOR MILITANCY (SEE ALSO ATHENS 3723 ON STRIKE AT US AIR BASE) FOREIGN COMPANIES WHO FEEL THEMSELVES TARGETED BY LABOR MILITANTS MAY BEGIN TO QUESTION THE CONTINUING VIABILITY OF THEIR GREEK OPERATIONS, A PROCESS ALREADY BEGUN BY ITT. ITT MANAGEMENT

TOLD US THEY CAME TO GREECE FOR THE LONG TERM, BUT CONTINUED  
PROBLEMS SUCH AS THOSE FACED OVER THE LAST SIX WEEKS COULD  
FORCE A REAPPRAISAL. KUBISCH

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